

1960

ECONOMIC REPORT ON NORTH KOREA  
(28th of the series)

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ECONOMIC REPORT ON NORTH KOREA

This report is based on the following North Korean sources:

Choson Imop, February 1960

Kyongje Chisik

No. 1, January 1960  
No 2, February 1960  
No 3, March, 1960  
No 4, April 1960

All comments by the researchers are enclosed in brackets.

# UNITS OF MEASUREMENT

<u>Korean Unit</u>	<u>British Equivalent</u>	<u>Metric Equivalent</u>
Length:		
cha or chok	0.994 ft	0.303 m
kan	5.965 ft	1.818 m
chong	357.906 ft	109.091 m
ri	2.440 mi	3.927 km
Area:		
pyong	3.954 sq yd	3.306 m <sup>2</sup>
myo	118.61 sq yd	99.174 m <sup>2</sup>
tan	1,186.101 sq yd	991.736 m <sup>2</sup>
chongbo	2.45 acre	99.174 are
Capacity:		
hop	0.158 qt	0.180 l
tu	0.397 gal	1.804 l
small mal	1.984 gal	9.020 l
large mal	3.968 gal	18.039 l
sok	39.682 gal	180.391 l
Weight:		
ton	57.871 gn	3.750 g
yang	578.713 gn	37.500 g
kun	21.162 oz	0.600 kg
kwan	8.267 lb	3.750 kg

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## I. PLANNING

### Monthly Report on Plan Implementation

[The following is a translation of an unsigned article entitled, "Why Some Industrial Products Should not be Included in the Monthly Report on the Industrial Production Plan Implementation?", Kyongje Chisik, No 1, January 1960, pages 47-48.]

At present, data on the industrial products in our country are collected and computed on the statistical form No 1--Industry "Monthly Report on Production Plan Implementation." But there are some industrial products which should not be included in this report.

Nevertheless, in the past, some officials were not aware of these exceptions and included some industrial products in the Monthly Report which should not have been included. Accordingly, they have caused considerable confusion in the statistical work of the higher organs.

What, then, are the industrial products which should not be included in the Monthly Report?

This question may be best answered by using examples.

To begin with, industrial products produced by other than industrial organs and enterprises should not be included in such a report.

It is well known that agricultural cooperatives produce various building materials, small farm implements, and handicraft products. State agricultural-livestock farms produce foodstuffs and daily necessities, and some hospitals manufacture medicines. Supply or sales organs, such as stores and restaurants, also produce ready-made clothes, daily necessities, and foodstuffs. Engine depots, rolling-stock inspection stations and track maintenance shops under the Ministry of Transportation manufacture machine parts and tools to meet their own requirements. In addition, there are many other similar examples.

All of these products should not be included in the Monthly Report, even though they are industrial products.

Products excluded from this report also include building materials, construction machine parts produced by construction shops, and gravel and sand extracted by construction shops.

However, the Monthly Report should include industrial products produced by those shops which, although not yet independent industrial enterprises, are expected to become independent industrial enterprises and to which the State, with that prospect in mind, has given industrial production assignments.

For example, a block production shop currently belonging to a construction trust is expected to be detached from that trust and to be established as an independent enterprise specializing in the production of building blocks. Moreover, this shop has been issued a block production assignment by the State, and has an independent account with a bank. In this case, the blocks produced by this shop should be included in the Monthly Report under discussion.

Now, it should be noted that there are some industrial products which are not to be included in the Monthly Report, even though they have been produced by the industrial enterprises themselves.

In industrial enterprises, there are auxiliary shops (pudaejok chikchang) which are engaged in work on the enterprises' own capital construction project, in the repair of houses, and in work on cultural and welfare projects (e.g. the production of bean curd or carbonated water, and fish breeding).

In addition, there are other shops which are engaged in the production of both basic products and packing materials for these products, or in the processing of the by-products and rejects created within the enterprises concerned.

The products of these auxiliary shops are not to be included in the Monthly Report.

Some products of local industrial plants are also not to be included in the Monthly Report.

Let us assume that a certain food-processing plant produces bean curd and bean thread [made of green beans]. Let us further assume that the restaurant and retail store operated by this plant re-processes this bean curd and bean thread and sells these products. In this case, the value created by the re-processing is not to be included in the Monthly Report.

Why, then, are these industrial products not included in the Monthly Report?

First, these products were not originally envisaged in the production assignments given under the State plan. Since the purpose of the Monthly Report is to evaluate the implementation of State assignments by individual enterprises, there is no need to include the products of nonindustrial organs or auxiliary shops of enterprises for which State production assignments were not issued.

Why does the State not issue production plan assignments for these products?

The answer is that these products do not constitute objects of State planning.

It is well known that production plan assignments issued by the State have a legal status in that their implementation is an obligation. Accordingly, those enterprises which receive plan assignments from the State are at the same time, entitled to all the facilities necessary for the implementation of such plan assignments.

Thus, when the State issues plan assignments, it is also under the obligation to provide the enterprises concerned with the labor force, expenses, supplies, raw materials, and sources of funds necessary for the implementation of such plan assignments.

This obligation can, of course, be fulfilled [also in regard to those products which are not to be included in the Monthly Report]. But it is economically more efficient not to divide the labor, supplies, and funds in such minute detail and to concentrate these resources on economic sectors which are of great significance to the nation.

In other words, it is more advantageous for the development of the people's economy when the State, through systematic planning, provides supplies, labor, and funds only for industrial production which is of national economic significance. Thus, it is advantageous for the State not to include in its over-all plan the industrial products of nonindustrial organs or auxiliary shops of enterprises, and to leave these products to be produced at the initiative of the sectors concerned.

It is impossible to establish a unified, scientific plan on a national scale which would include such trivial sectors. In fact, in these sectors, the conditions of equipment and the conditions for supplying raw materials all differ from one another; accordingly, the consumption levels of labor and supplies and the production cost and profits also differ from sector to sector. For this reason, the State cannot establish a unified plan incorporating the thousands or tens of thousands of industrial products turned out by nonindustrial enterprises or auxiliary shops. Nor could the State ensure satisfactory controls over plan implementation even if such a plan could be established.

Another reason for not including these industrial products in the Monthly Reports is to avoid the likelihood of inconsistencies in computing these products together with basic industrial products.

Many kinds of statistical data are used as a primary source of planning for the following year. If the industrial products mentioned above are recorded together with products turned out on the basis of basic industrial methods (kibon kongopchok pangbop), the resultant statistical record would inevitably involve an inaccurate evaluation of the actual consumption of raw materials and supplies, labor productivity, production costs, and profits in the basic industrial sectors.

For the same reason, if such statistical data are used for planning for the following year, the plans worked out on this basis would be deficient in accuracy. In any event, these industrial products [excluded from the Monthly Report] augment the wealth of the entire society. Accordingly, they make a considerable contribution to the development of our national economy and to the promotion of the daily life of our people.



For this reason, the State gives positive encouragement to the production of these products, even though they are not included in the State plan or in the Monthly Report.

But how are these products to be dealt with, if they are not included in the Monthly Report or envisaged in the State plan?

According to the current statistical procedures in our country, these products are to be recorded and computed once each quarter in a "Report on Actual in Non-Industrial Enterprises."

Finally, the value of all the products reported in this manner is included in the gross value of industrial production in our country. (Kyongje Chisik, No 1, January 1960, pages 47-48).

#### Production Plan Implementation Analysis

[The following is a full translation of an article written by Kim Song-hyon, "Method of Analyzing the Production Plan Implementation in City- and Kun-Operated Enterprises," Kyongje Chisik, No 4, April 1960, pages 15-19.]

Enterprises and, in particular, newly established local industrial plants, must overfulfill their production plans, both qualitatively and quantitatively, by firmly grasping the central key of problems, by concentrating all their efforts on this key, and by mobilizing all the available potentials.

To accomplish this task, the leading workers of those enterprises should first know how to scientifically analyze the results of their productive activities. Thus, they should know how to analyze the business activities (kyong'yong hwal tong) of their enterprises.

The purpose of this analysis is to determine how and why production plans were implemented as they were. At the same time, the analysis should disclose various potentials

that could have been exploited as well as various defects in the implementation of the production plan. This will ensure better implementation of production plans in the future.

Analysis of production plan implementation calls for analyses of (1) implementation of the production value plan; (2) extent to which rhythmicity was ensured in production; (3) implementation of the production plan by kinds of products (p'umjongbyol); and (4) implementation of the quality-assurance plan.

The purpose of this article is to describe the method used in conducting the above analyses. An analysis of the implementation of the production value plan is carried out by utilizing data on actual gross production value.

Let us assume that a certain garment plant implemented its gross production value plan in the month of March as follows:

Indices	Unit	March			Actual in Previous Period	
		Plan	Actual	%	Same Month Preced. Yr	Preced. Month
Gross value of production	won	10,000	10,100	101	9,000	10,000
Of which:						
"Imgagong saengsan"	won	300	600	200	300	500
Value of work of industrial nature performed	won	-	4,500	-	2,000	4,000
Average number of employees	man	50	48	96	35	40
Wages	won	2,000	2,500	125	1,100	1,500

On the basis of these data, the implementation of the production value plan by this enterprise can be analyzed in the following manner:

This enterprise fulfilled the gross production value plan 101 percent. Compared with the actual output in the same month a year earlier, the gross value of production increased 12 percent ( $10100/9000 \times 100 = 112\%$ ); and compared with the actual output in the preceding month, it increased one percent.

But this increase was not achieved through the production of the basic products of the enterprise. Rather, it was achieved through such secondary work as "imgagong" [temporary-processing?], repair, and dyeing work, as well as work of an industrial nature, which was not even envisaged in the plan.

This is clearly indicated by the fact that, while the gross production value plan was fulfilled by 101 percent, the temporary processing plan was fulfilled by 200 percent. Moreover, the value of work of an industrial nature accounted for 44.5 percent (10100 won : 4500 won) of the gross value of production and increased 130 percent over the corresponding actual output in the same month of the preceding year.

From this analysis, we draw the following conclusions: This enterprise concentrated its efforts on goods which were relatively easy to produce, on goods for which raw materials were easy to procure, or on goods whose final products were expensive. This conclusion suggests that, in the future, this enterprise should strive to overfulfill the gross production value plan by adequately implementing its basic production assignments.

Next, we should analyze the methods by which this gross production value plan was implemented.

It is well known that the gross production value can be increased either through an absolute increase in labor force or through an increase in labor productivity.

What, then, are the factors which contributed to an increase in gross production value in the case of the above enterprise?

At this enterprise, 48 employees participated in fulfilling the gross production value plan by 101 percent.

But originally this enterprise had planned to produce goods worth 10,000 won with 50 employees; i.e., a proportion of 200 won per unit of direct labor. Thus, if the enterprise had followed the original plan, 48 employees would have met the requirements by producing only 9600 won. But, in reality, 48 employees produced goods worth 10,100 won; that is, with two men less, the enterprise produced 100 won more than the original plan, or 500 won more than would have been produced by 48 employees under the original plan.

In other words, an output equivalent to 500 won was realized through an increase in labor productivity.

It is also necessary to analyze the production increase in comparison with the actual output in the same month of the preceding year or in the preceding month.

As described earlier, the gross value of production increased 12 percent over the same month of the preceding year. But in that month, the production value per employee was 257 won ( $9000 \text{ won} / 35 \text{ men} = 257 \text{ won}$ ). If each worker worked as well as he did a year earlier during the report month [March], a gross production value of 12,336 won ( $257 \text{ won} \times 48 = 12,336 \text{ won}$ ) could have been attained.

But the gross production value in the report month was 10,100 won, or 2236 won less than that could have achieved if the workers had worked as well as they did a year earlier. This means that the production value per unit of direct labor fell from 257 won a year earlier to 210 won in the report month, i.e., labor productivity fell by that amount. Thus, in terms of the gross value of production, an increase of 1100 won ( $10,100 - 9,000$ ) was realized through an increase of 13 men ( $48 \text{ men} - 35 \text{ men}$ ).

From this analysis, we draw the conclusion that the enterprise should investigate the causes of lowered labor productivity and take measures to increase labor productivity.

### Analysis of Production Rhythm

The monthly production plan of enterprises should not only be fulfilled for the month as a whole, but also for every day and for every 10-day period.

If an enterprise failed to fulfill the production plan in each day or in each 10-day period, it would create great difficulties for the other enterprises which are to use the products of the former. Such a failure would impede the regular fulfillment of transport plans and commodity supply plans. Moreover, it would even hinder the fulfillment of the over-all national economic plan.

In analyzing the implementation of monthly production plans, it is important to examine whether or not the plans were fulfilled regularly for each day or for each 10-day period.

This type of analysis of production plan implementation is called the analysis of rhythmicality assurance (yultongsong pojang'e taehan punsok).

The analysis of production rhythm (saengsan yultongsong) includes analyses of (1) whether or not an annual plan has been implemented in a balanced (kyundung'hage) manner for each month (this is called the analysis of annual rhythm); (2) whether or not the monthly plan has been implemented in a balanced manner for each 10-day period (this is called the analysis of the 10-day period rhythm); and (3) whether or not the daily actual output has been ensured as planned (this is called the analysis of the implementation of daily assignments.)

But here I propose to discuss only the method of analyzing whether or not the 10-day period rhythm has been ensured in the implementation of monthly plans.

This analysis is performed by comparing the actual output with the planned output for each 10-day period: the first 10-day period (the first through the 10th day of the month), the second 10-day period (the 11th through the 20th), and the third 10-day [or 11-day] period (the 21st through the last day of the month).

Let us suppose that the output of the above-mentioned garment plant was as follows:

10-day period	March			April		
	1st	2nd	3rd	1st	2nd	3rd
Plan (won)	3000	3500	3500	3600	3780	4000
Actual (won)	3300	3200	4500	3000	32000	4380

To carry out the desired analysis, it is advisable to record the figures on graphic chart [graph given but not reproduced here].

As the above graph indicates, there is a severe fluctuation in the implementation of the production plan at this enterprise. For example, after having reached 4500 won during the last 10-day period of March, output dropped sharply to 3000 won during the first 10-day period of April.

Now we should analyze the reasons for the severity of the fluctuation.

The above data indicate that the leading workers of the enterprise were easy-going during the earlier part of the month and then carried out shock production during the later part of the month.

There are leading workers in some enterprises who tend to rush production at the end of the month, although they could have solved the production problem during the earlier part of the month as well as they did at the end of the preceding month. The inevitable results of this practice are the overburdening of production equipment, machine difficulties and the production of defective goods.

In the case of this garment plant, we can tell that the overburdening of production equipment, resulting from shock production during the last 10-day period of March, presented a great obstacle to the implementation of the production plan during the first 10-day period of April. But the leading workers of this enterprise failed to learn

their lesson from the production plan implementation in March and repeated unrhythmic production in April.

This enterprise should, therefore, investigate the causes of severe and repeated fluctuations in production and take appropriate measures to eliminate these fluctuations.

#### Analysis of Production Plan Implementation by Kinds of Products

The production plan of an enterprise should be correctly fulfilled for each kind of product. Failure to observe this rule will create many difficulties for other enterprises which utilize such products in the implementation of their production plans.

For this reason, the analysis of production plan implementation by each kind of product occupies an important place in the analysis of over-all production plan implementation by enterprises.

Now, let us see how this analysis should be conducted.

Even when overfulfilled, the rate of production plan implementation is unconditionally regarded as 100 percent as far as the specific kinds of products are concerned; but when underfulfilled, the actual rate of production plan implementation is taken as the figure applicable to this analysis.

When we total the rates of plan implementation on individual indices [kinds of products], determined according to this particular method, and divide the total by the number of kinds of products, we can obtain the rate of production plan implementation by the kind of product.

For example, let us suppose that the output of a certain farm-machinery plant was as follows:

Names of products	Actual rate of plan implementation	Rate of plan implementation applicable to this analysis
1. Ox-carts	100 percent	100 percent
2. "Hori"	110 "	100 "
3. Weeders	80 "	80 "
4. Hoes	130 "	100 "
Total		380

The table indicates that this enterprise overfulfilled the production plans for "hori" and hoes but failed to fulfill its plan for weeders.

As far as plans by indices (chip'yobyol kyehoek) are concerned, the enterprise as a whole is regarded as having failed to fulfill its plan even when its production plans have been fulfilled on 99 kinds of products out of a hundred.

According to the method of analysis mentioned above, the rate of production plant implementation of the above farm-machinery plant by kinds of products is 95 percent ( $380/4 = 95$ ).

From this analysis we conclude that, although it is important to overfulfill the production plans for some products, it is more important for this enterprise not to fail to fulfill its production plan for any single kind of product in the future.

#### Analysis of Quality Assurance [Control] Plan Implementation

The production plans of enterprises should be fulfilled qualitatively as well as quantitatively. The way an enterprise has implemented its production plan by kinds of products constitutes an important yardstick for measuring the



over-all work of the enterprise. For the same reason, it constitutes one of the important elements of the analysis of production plan implementation.

In order to analyze the implementation of the quality assurance plan, we must first distinguish between products which have set grades and products which do not have set grades, and analyze these products according to different methods.

Let us first see how the implementation of the quality assurance plan is analyzed for those products which have set grades.

Analysis of these products is carried out by comparing the grade-by-grade (tungguppyol) production plan with actual output.

Let us assume that a certain textile mill implemented its plan as follows:

Grades	Unit cost (won)	Planned output (km)	Proportions of planned output of each grade to the total (%)	Actual output (km)	Had it been produced at the planned proportions (km):
1	10	50	62.5 (80:50)	60	53 (85 x 62.5)
2	8	20	25 (80:20)	10	21 (85 x 25)
3	5	10	12.5 (80:10)	15	11 (85 x 12.5)
Total	-	80	100.0	85	85

The above table shows that this enterprise fulfilled its production plan quantitatively 106 percent (85km/80km), especially by producing more Grade One products. As against a planned output of 53 km of Grade One goods, it actually produced 60 km (an increase of 13 percent). But

the output of Grade Two products was less than planned and that of Grade Three products was more than planned.

However, this kind of comparison between the planned output and the actual output of each grade of goods alone is not sufficient to carry out the desired analysis; an analysis in monetary terms is called for.

If analyzed in terms of production value, the quality assurance plan was implemented by the above enterprise as follows:

Grades	Unit cost (won)	Planned proport. (%)	Actual output (km)	Had it been at the planned prop. (km)	Prod. value of output had it been at the planned prop. (won) (1 x 4)	Production value of actual output (won) (1 x 3)
	1	2	3	4	5	6
1	10	62.5	60	53	530	600
2	8	25	10	21	168	80
3	5	12.5	15	11	55	75
Total	-	100	85	85	753	755

This table shows that the quality assurance plan was fulfilled 100.3 percent ( $755/753 \times 100 = 100.3$ ), or that the quality of products was raised by 0.3 percent.

Analysis by this method clearly demonstrates the advantages of producing more high-grade products. Had this enterprise produced according to planned proportions, the production value would have been 753 won. But by producing Grade One products at a proportion larger than that

planned for the enterprise actually produced 755 won worth of goods. Accordingly, in terms of value, it produced two won more (755 won - 753 won = two won).

By producing more Grade One goods than planned, this enterprise, as a whole, creates a profit for the State. On the other hand, by producing fewer Grade Two goods and more Grade Three goods than planned, this enterprise failed to return the profit to the State which would otherwise have been possible.

Now let us see how the implementation of the quality assurance plan is analyzed for those products which have no set grades.

There are some products (e.g., machinery, bricks, etc.) for which there are no set grades or for which such grades would be meaningless. For this reason, the analysis of quality assurance for these products is carried out in the light of technical conditions and specifications. Accordingly, in such an analysis, the opinions of the end-users of these products are taken into account, and the number of defective goods and the extent to which these goods affect production cost and output are examined.

The analysis of rejected products is carried out either by comparing the quantity of rejected products with the quantity of passed products within a given report period or by comparing the quantity of rejected goods with that of the preceding report period in order to see whether the quantity of defective products has increased or decreased.

When passed products and rejected products are analytically compared, the computation is performed as follows:

Let us assume that a certain brick yard produced 3,000 passable bricks and 1,000 rejected bricks in March.

In this case, the proportion of rejected products to the total is  $1000 / (3000 + 1000) \times 100 = 25$  percent.

Let us assume that the analytical comparison between the rejected products in March and those in February was as follows:

Index	Unit	February			March			Rate of decrease (±) of defective products in March/ February
		Quant. passed	Quant. re-jected	%	Quant. passed	Quant. re-jected	%	
		1	2	3	4	5	6	
Brick	e.	2200	800	37	3000	1000	25	93%

In comparing rejected products in one month with those in the preceding month, a quantitative comparison alone is not sufficient.

In terms of material output, the above table shows that the quantity of rejected products increased from 800 in February to 100 in March. But in terms of proportion, there was a decrease from 27 percent in February to 25 percent in March, or to 93 percent of the February level.

The enterprises must carry out an analysis of plan implementation by grades, size of defective products, their impact on production, and increases or decreases in the quantity and proportion of these defective products--all according to the above-mentioned method. Then, the causes of such shortcomings should be closely examined. In the case of defective products, the personnel responsible for, or the causes of, such defective products (e.g., inaccurate processing, lack of precision in the equipment and instruments used, rough handling in transport, etc.) should be clearly determined and adequate measures should be taken. (Kyongje Chisik, No 4, April 1960, pages 15-19)

#### Labor Productivity Plans in Industry

[The following are excerpts from an article written by Na Chin-ch'an, "On How to Establish Labor Productivity Plans in Industrial Enterprises," Kyongje Chisik, No. 2, February 1960, pages 18-20.]

Like other plans, the labor productivity plan is established on the basis of the record of the base year taken. For example, if we were to establish this plan for 1961, we would appraise the actual record in 1960 and base our plan upon this record.

However, there may be cases in which the actual record of the entire year of 1960 is not available, e. g., in drafting the 1961 plan in August of 1960. In such a case, an estimated figure for the record from August through the end of 1960 should be computed, so that the total estimate can be figured out for the entire year of 1960.

In computing this total, all the potentials that can be utilized during the period from August to the end of 1960 should be fully taken into account. Otherwise, the estimated figure will not coincide with the actual figure at the end of the year if the potentials are actually utilized between August and the end of the year. This, in turn, means that if the 1961 plan is drafted without regard to the potentials available for utilization between August and the end of 1960, there will be a low labor productivity target in the plan.

In general, the following factors help to raise labor productivity (and can be computed and analyzed):

1. Mechanization and automation;
2. Introduction of advanced working methods, original designs, and rationalization proposals;
3. Increase in the rate of participation in the piece-rate system;
4. Rise in skill levels; and
5. Prevention of the production of defective products.

Enterprises should establish organizational and technical plans for exploiting the potentials for each of the above items, and these potentials should be reflected in the labor productivity plans drafted by enterprises.

Let us see how the labor productivity plan is drafted by a machine plant in terms of the number of normal hours (kijunsi) required per unit product. Let us assume that in the base year (1960) produced 110,000 pieces of a given kind of product and that its 1961 production plan envisages the production of 180,000 pieces of the same product.

Let us further assume that in the base year this plant had 400 employees (excluding apprentices): 293 basic workers, 87 auxiliary workers, and 20 managerial workers.

Now, this plant took six normal hours to produce a piece of the product in the base year.

If we compute the normal hours required for the production of 180,000 pieces in 1961, the total will amount to 1,080,000 normal hours.

The number of normal hours expected to be saved in 1961 through the exploitation and economization of internal potentials are as follows:

- (1) 220,000 normal hours through mechanization;
- (2) 150,000 normal hours through the introduction of advanced working methods;
- (3) 5,000 normal hours by increasing the rate of participation in the piece-rate system;
- (4) 5,000 normal hours through the enhancement of skill levels; and
- (5) 5,000 normal hours by eliminating defective products.

This makes a total of 385,000 normal hours. (\*Since the purpose of this article is merely to give a general outline of the drafting of labor productivity plans, methods of computing each item of the organization and technical-measures plan will not be referred to here.)

The total number of normal hours required for the production of 180,000 pieces in 1961 is  $1,080,000 - 385,000 = 695,000$ .

If we divide this figure by the number of hours that one man is required to work each year under our State law (2,254 hours, excluding national holidays, vacations, unavoidable absences from work, etc.), we get an answer of 309 workers.

These 309 workers refer to the basic workers required in 1961, since products are turned out only by basic workers. This means that the number of basic workers required in 1961 is 16 more than in the base year.

Let us now proceed to the determination of the number of auxiliary workers.

The required number of auxiliary workers depends upon the quantity of auxiliary work and on how many shifts this work is performed. For example, if there are two cranes operated in three shifts, six auxiliary workers are needed. Or, if there are 10,000 tons of load to be transported in course of the plan year and a worker can transport 5,000 tons a year through mechanization, only two workers are needed.

The plant used these methods to compute the total number of workers required in 1961 and added to this figure the additional number of workers required because of vacation periods. Finally, it set the total number of auxiliary workers required in 1961 at 71. This figure is 16 workers less than in the base year.

Next, the plant set the number of managerial workers at 20, as provided for in the table of organization.

The 1961 labor productivity plan was thus established on the basis of the same number of employees as in the base year, 400, although the numbers of both the basic workers and auxiliary workers changed.

What, then, is the rate of increase in labor productivity that this plant planned to achieve in 1961 as compared with that in the base year?

As compared with the per employee output of 275 pieces (110,000/400 employees) in the base year (1960), the plant set the corresponding output in 1961 at 450 pieces (180,000/400 employees). Thus, the plant planned to increase labor productivity in 1961 by 64 percent over the 1960 level. (Kyongje Chisik, No 2, February 1960, pages 18-20)

## Plan Assignments in Forestry Enterprises

[The following is a summary of an editorial "Let Us Fulfill Without Fail Production Assignments of Material Wood by Days and by Months" Choson Imop, February 1960, pages 1-2.]

Many forestry enterprises, including those at Hamhung, Yup'yong and Yugok, have managed to increase their labor productivity and, thus, to overfulfill their production assignments by properly organizing labor and raising the utility rate of existing equipment to the maximum. On the other hand, the enterprises at Sinuiju, Poch'on, Nangnim, and Sup'yung have failed to fulfill their periodic production plans; and the Sinyang Forestry Enterprise has failed to fulfill its final production plan by a large margin.

All the above enterprises have without exception failed to prepare themselves in time for the work to be done during winter; they have not taken measures to utilize all their favorable conditions and potentials. The workers of these enterprises have not even been provided with adequate saws and axes; a large number of trees have not been felled ahead of other work; and labor has not been appropriately organized.

For example, the Poch'on Forestry Enterprise has all-purpose work-teams with as many as thirty to forty people in each team. Moreover, each team has charge of almost everything from felling trees to transportation. On the other hand, some other enterprises have all-purpose work-teams that specialize in one kind of work. These groups are, therefore, not in a position to do the job of an all-purpose work-team effectively.

Many enterprises have not set labor norms correctly; their norms are set on the basis of past experiences and statistical data. Thus, workers are not offered sufficient incentives to raise their output.

Measures have not been taken to properly feed and care for cows working in hilly areas. As a result, the readiness rate (kadong yul) of the cows at the Hwap'yong Forestry Enterprise was as low as 50 percent in January 1960,



as against 95.2 percent in January 1960. In some enterprises, the cows are made to work thirty days a month without a single day of rest. The animals are not fed properly, and their barns are not maintained hygienically.

Adequate efforts have not been made by some enterprises to raise the utility rate of their equipment to the maximum extent possible. Consequently, their equipment is not in good repair. Moreover, these enterprises have not taken measures to set up repair shops of their own in order to produce the parts necessary to carry out repair work.

Some enterprises have not implemented the instructions of the Party with regard to providing decent services for their workers, particularly in supplying adequate subsidiary foods and in maintaining their dormitories in good condition.

This state of affairs should be promptly corrected. To achieve this end, the leading workers should conduct their work in accordance with Party policies and should make it possible for workers to perform their work properly. Where all-purpose work-teams have not been properly established, they should be reorganized in the light of the conditions, of the enterprises as well as of the abilities of work-team heads. If labor norms have been set on the basis of past experiences, they should be set anew on the basis of technical standardization.

In order to raise the utility rate of equipment, the equipment should be kept in good repair and work shops should be set up in enterprises to produce parts for their own use.

As for production, the felling of trees should take precedence over all other work.

All existing cow sheds should be equipped with floors, and holes should be made for ventilation purposes. Cows should be regularly checked by veterinarians and fed properly. In addition, the animals should not be worked overtime.

By strengthening cooperation with local government agencies and commodity circulation agencies, the quality of subsidiary foods for the workers should be improved and

arrangements should be made for establishing subsidiary industries. In addition, dormitory facilities should be improved, and transient dormitories should be set up so that workers can be spared the trouble of walking great distances to to their work.

Thus, every possible measure should be taken to over-fulfill the production assignment for the first quarter of 1960. (Choson Imop, February 1960, pages 1-2.)

## II. INDUSTRY

### Reduction of Costs in Industry Products

[The following are excerpts from an article written by Hyon Yong, "To Reduce Cost," Kyongje Chisik, No 1, January 1960, pages 28-31.]

At present, the cost of industrial products in our country comprises the following items: (1) raw materials and basic supplies; (2) auxiliary supplies (pojo chajae); (3) fuel; (4) electricity; (5) small instruments and small tools; (6) wages (basic wages and additional wages); (7) social insurance premiums for production workers; (8) depreciation; and (9) other cash expenditures (shop expenses, general factory costs, losses due to work stoppages, and other cash expenditures directly related to production).

Even where products are identical, their cost may differ from one enterprise to another according to the concrete conditions in each enterprises.

For this reason, the cost of products is divided into two categories: the individual cost of each enterprise and the average cost of the economic sector producing the same products. In this case, the cost of individual enterprises is the cost incurred by those enterprises in producing a given product. The average cost of the sector is the average of the total cost incurred by all enterprises within the sector in producing the given product. This average cost of the sector (pumun p'yonggyun won'ga) is, in general, the basis for computing and fixing the price of a product.

Cost is also divided into production cost and selling cost.

If we analyze the average sector cost of each industrial product, we find differences in the proportions accounted for by individual cost items. For example, in such extractive industries as the coal industry and the mining industry, wages account for a high proportion of

the total cost, while the proportion accounted for by the cost of various raw materials and supplies is relatively low. Conversely, for processing industries, such as the machine industry, various light industries, and the food-processing industry, the cost of supplies accounts for a large portion of the total cost.

The cost of raw materials and supplies accounted for 93.2 percent of the average sector cost in the food-processing industry in 1957. In the chemical industry, the cost of electricity accounted for a higher proportion (13.1 percent in 1957) than in other sectors. In the power industry, depreciation accounted for 77.5 percent (the highest depreciation proportion in any industry) of the average sector cost in 1957.

Such differences in proportions, accounted for by individual items of cost, are attributable to the different production techniques and production processes prevailing in individual sectors.

Now, what should be done to reduce the cost?

First of all, each sector should determine, as mentioned earlier, which of the cost items account for a high proportion of the cost. This will enable efforts to be primarily concentrated on reducing the cost of those items.

Concretely stated, in our country, the cost of raw materials, supplies, and fuels accounts for between 60 and 70 percent of the total cost of industrial products. Accordingly, to reduce the cost of products, efforts should be concentrated primarily on reducing the cost of those materials and fuels. Indeed 50 percent of the total cost reduction effected in the industry of our country in 1958 was accounted for by reductions in the cost of various raw materials and supplies.

To reduce costs, these materials and supplies, should be consumed in an economical manner. This policy of economization should be primarily carried out by the consuming enterprises themselves.

The enterprises should lower the consumption norm, and produce good-quality, simple, and light products. Moreover, costly raw materials and supplies should be replaced

by less costly ones, and spoilage and the production of defective goods should be minimized.

The enterprises should also strengthen discipline and order in storing and supplying these materials and supplies. This will prevent rotting, loss, or waste in warehouses and reduce transportation cost.

Another important means of reducing costs is to increase labor productivity. It should be pointed out, however, that the rate of labor productivity increase should be always higher than that of wage increase.

Reduction of costs also calls for reduction in shop expenses, plant management expenses, and sales expenses. In 1958, these expenses accounted for approximately 20 percent of the cost of industrial products. In general, these expenses, do not greatly change even when output increases. But when production area and facilities are well utilized and labor productivity is enhanced, the proportion of the cost of unit product accounted for by these expenses is lowered, even though there may be no reduction in the absolute amount of these expenses.

In striving to reduce the cost of all the cost items mentioned above, the following points should be kept in mind:

As mentioned earlier, the proportions of cost accounted for by individual cost items differ from one sector to another. As a result, those cost items upon which efforts should be concentrated also differ from one industry to another.

For example, in the coal industry, the largest and most impressive proportion is accounted for by wages. Consequently, to reduce the cost of products, the coal industry should concentrate its efforts on economizing labor and improving the organization of wages. But where the cost of supplies and raw materials accounts for a high proportion of the cost of products, e.g., in processing industries, efforts must be made to reduce the cost of these supplies and materials.

Consequently, the power industry, in which depreciation accounts for the highest proportion of the cost, should strive to raise the utilization rate of facilities.

Moreover, the chemical industry should reduce the proportion of the cost accounted for by the expenditure of electricity.

To sum up, to reduce the cost of products, each sector should first determine which of the cost items account for the highest proportions of the total cost of products. Then, the appropriate organizational and technical measures should be taken. (Kyongje Chisik, No 1, January 1960, pages 28-31)

### Computing the Gross Value of Industrial Production

[The following is a translation of information data offered by the Industrial Statistics Office, Central Statistics Bureau, (Chung'ang T'onggyeguk Kongop T'onggyech'o), entitled "What Does the Gross Value of Industrial Production Include: Answer to Queries of Readers?", Kyongje Chisik, No 4, April 1960, pages 42-46.]

(Our editorial board has recently received many queries on the methods of computing the industrial production value and actual material output. These queries have been received from many organs and enterprises, including the local industrial control bureaus (Chibang Sanop Kwalliguk) of P'yongyang City, P'yongan-pukto, and Kangwon-do; the Local Industrial Control Division (Chibang Sanop Kwallibu) of Anakkun, Hwanghae-pukto; and the Hwangju Textile Mill. On the basis of consultations held with the appropriate office of the Central Statistics Bureau, the editorial board is able to give the following comprehensive answer:)

The gross value of industrial production of an enterprise refers to the value of all goods produced and work performed by that enterprise during a given period (year, quarter, or month) as expressed in monetary terms.

The gross value of industrial production includes the entire value of the goods produced as well as of all work of an industrial nature performed (repair, dyeing, etc.). Therefore, the gross value of industrial production of an enterprise refers to the volume of all goods produced by an industrial enterprise.

The price used for the computation of the gross value of industrial production is the enterprise wholesale price (kiopso tomæ kagyok). It is only the enterprise wholesale price that can correctly reflect the result of the productive activities of the enterprise. The production cost (won'ga) is used for this computation, it will not reflect the profit of the enterprise; on the other hand, if the retail price is used, it will include the circulation cost, which has nothing to do with the productive activities of the enterprise.

How, then, can the gross value of industrial production be correctly computed?

First, the gross value of industrial production is computed according to the factory method (kongjangohok pangbop) (a method by which finished products and semi-finished products are separately evaluated within a given enterprise).

Suppose there are two paper mills, one producing only paper and the other producing both paper and notebooks. In such a case, the same paper is a finished product only for the first mill. The same product is a finished product where processing is completed, while it is a semi-finished product if further processing is required in the enterprise.

Since the gross value of industrial production should be computed as a unit for each plant which has an independent bank account, the same product cannot be counted twice within the same plant.

Secondly, the gross value of industrial production includes the following:

(1) Those finished products produced by an enterprise within a given report period (period covered by the specific report currently being prepared - month, quarter, or year) and either already sold to others or earmarked to be sold. Included in this category are goods produced by an enterprise to be used for its own nonproductive purposes such as goods to be used in its nursery, kindergarten, or farm operated as a supplementary enterprise.

For example, the fabrics produced by a textile mill and sold or set aside for sale to others, as well as the fabrics used or to be used for bed sheets or table covers for its nursery, are all included in the gross value of industrial production.

(2) Semi-finished products produced by an enterprise during a report period and sold or earmarked to be sold to others. If a food-processing plant produces rice gluten and this gluten is to be used in the plant for the processing of cakes, it still constitutes a semifinished product. But if the gluten is not used for the processing of cakes and if it is sold or earmarked to be sold, the gluten is included in the gross value of industrial production.

(3) Products of auxiliary shops sold to others during a report period. Let us suppose that the auxiliary shops of a farm-machinery plant produce hammers, saws, and files for use in the production of ox-carts. If this plant sells a part of the equipment or instruments so produced to others, those sold should be included in the gross value of industrial production.

(4) Goods produced on order for other enterprises. Some enterprises may request other enterprises to tailor suits with the former's cloth, produce ox-carts with their lumber, or oil with their soy beans. In such cases, the end products should be included in the gross value of industrial production, including the value of the raw materials and supplies supplied by the purchasing enterprises.

(5) The value of work of an industrial nature performed by an enterprise at the request of other enterprises. When an enterprise carries out repair work on ox-carts, spades, dyed suits, or painted desks at the request of another enterprise, the value of such work is included in the gross value of industrial production.

In such a case, however, the gross value does not include the value of the whole products, but the value of the supplies and labor expended for such a product. For example, when an ox-cart is not included in the gross value; only the value of the supplies and labor expended for such repair work is included in the gross value.



(6) Production equipment and machinery produced by an enterprise as finished products. These items are included in the gross value of the industrial production of that enterprise, although they may be used within the enterprise. But those items which are not fixed assets and which are incorporated directly into the final products, e. g., instruments and tools, should not be separately included in the gross value of production.

Thirdly in computing products and work of an industrial nature in the gross value of industrial production, the following points should be kept in mind:

(a) Those products which were produced in conformity with technical specifications and passed through inspection must also have been stocked in warehouses, or the necessary measures must already have been taken to keep them in warehouses before they may be included in the gross value of production. In other words, even where products have gone through all the necessary production processes, these products cannot be included in the computation of the gross value of production until they have been inspected and the required storage documents have been officially prepared.

(b) The wholesale price which is employed for the computation of the gross value of industrial production cannot be determined by the enterprises concerned at their own discretion. Under regulations, city or kun people's councils should first determine the temporary wholesale price or retail price for the products of the city-or kun-operated enterprises. Thereafter, the enterprise wholesale price is determined by the chairman of the respective provincial people's council.

Therefore, if the price used at the time of planning is the price already approved by the chairman of the provincial people's council, the enterprise concerned may use this price for the computation of the gross value of industrial production.

On the other hand, if the plan was not established on the basis of the official enterprise wholesale price, or if production was carried out at an average price fixed by superior organs, such a price should not be used for the computation of the gross value of production:

the fixed enterprise wholesale price should be approved before any computation of the gross value of production can be carried out.

For example, when vegetable-processing enterprises which planned on the basis of average prices fixed by higher organs, actually produce numerous different products, such as raddish "kimch'i," cabbage "kimch'i," pickled scallion, etc., the gross value of production for each category of products should be computed on the basis of the respective enterprise wholesale price.

(c) Where products are priced only at retail price, the gross value of production is what remains of the retail price after turnover tax levies (korae suip) and commercial charges (sangop pugwagum) have been deducted.

If goods are produced only once or twice at the order of other enterprises and there are no enterprise wholesale prices which are applicable to them, the gross value of production is what remains of the actual selling price after turnover tax levies and commercial charges have been deducted.

(d) The computation of the value of work of an industrial nature, such as repairs and dyeing, is also carried out on the basis of the respective enterprise wholesale prices. But if there is no enterprise wholesale price applicable to the computation of this value, the gross value is the remainder of the price of such work after turnover tax levies and commercial charges have been deducted.

(e) The value of packing materials and containers is computed in the following manner:

If these items are repeatedly recovered and used, their value should be included only once in the gross value of production, i. e. when they are first used; thereafter, their value should not be included in the gross value of production. But when the value of these packing materials and containers is included in the enterprise wholesale price of the products, e. g., wrapping bags for confectionaries and cans used for canned goods, it should not be computed separately but included in the gross value of production.

If unpacked goods are sold at an enterprise wholesale price which includes the packing cost, the gross value of production is the wholesale price minus the packing cost.

On the other hand, if goods packed in straw bags are sold at an enterprise wholesale price which includes the wooden-container cost, the gross value of production should take into account the enterprise wholesale price as adjusted for the price differentials between these two packing materials.

(f) If an enterprise produces Grade Two or Grade Three goods in the course of its attempts produce Grade One goods, the gross value of production should be computed on the basis of the applicable price for Grade Two or Grade Three goods, even though the actual production cost might have run as high as that of Grade One goods.

But when the enterprise wholesale price is set only for Grade One goods, the gross value of production is computed according to the proportional differences in selling price between these three goods. For example, if the selling price is 1.00 won for Grade one goods, 0.90 won for Grade Two goods, and 0.80 won for Grade Three goods, the gross value of production is computed for Grade Two goods at a price 10 percent less than the enterprise wholesale price applicable to Grade One goods; for goods of Grade Three, the price is 20 percent less.

(g) If goods with a wholesale price which includes freight to a railroad station or to the warehouse of the purchasing enterprise are transported by the purchasing enterprises themselves from the selling enterprises, the gross value of production should be computed on the basis of the enterprise wholesale price after the respective freight charges have been deducted.

(h) When certain raw materials and supplies, which are envisaged for use in the production of certain goods under technical production regulations, are either replaced by cheaper substitutes or not used at all, the gross value of production should not be computed according to the enterprise wholesale price envisaged but according to the cost of materials and supplies actually used.

Fourthly, the following should not be included in the gross value of production:

(1) The gross value of production should not include the value of goods which fail to pass inspection. Only if rejected goods are repaired and pass inspection, can their value be included in the gross value of production. Even when sold at the request of other enterprises the value of defective goods cannot be included in the gross value of production.

Furthermore, even when the selling enterprise inspects, passes, and sells certain goods to other enterprises, these goods should not be computed in the gross value of production if the purchasing enterprises reject them as useless and return or decide to return them to the sellers.

If notification of this refusal is received after the actual production report has been submitted to higher authorities, the necessary corrections should be made for the production figures for the month covered in that report.

(2) If certain products are spoiled, damaged, or lost in warehouses after they were passed through inspection, stocked in warehouses, and computed as part of the gross value of production, the value of the spoilage or loss for the month in which these goods are discovered should be deducted from the gross value of production.

(3) When the production workers of an industrial enterprise perform certain work, categorized as capital construction, e. g., the construction or repair of buildings or warehouses for productive use, the value of such work cannot be included in the gross value of production.

(4) When articles purchased from others are sold without processing or with little processing, they cannot be included in the gross value of production at the price of finished products. For example, if a food-processing plant purchases raw oysters, apples, eggs, meat, and milk from others and sells these articles without processing, the value of these goods cannot be included in the gross value of production.

Moreover, if a plant sells goods after simple processing of an industrial nature, e. g., the slaughtering of hogs and selling of raw pork after the procurement of hogs, only the value of such processing can be included in the gross value of production.

(5) When an enterprise produces and uses semifinished products for its own production purposes, the value of such semifinished products cannot be included in the gross value of production. For example, if a textile mill produces yarn and uses it for the production of fabrics, the value of production should include only the value of fabrics and not that of yarn. The price of fabrics already includes the price of yarn.

But if yarn is sold to other enterprises, its value is included in the value of production. For example, an enterprise is compelled to use yarn for its own production purposes after it had originally set the yarn aside for sale and after it had reported to higher authorities the value of production including the expected proceeds from the sale. In such a case, the enterprise should deduct that amount from the gross value of production when the latter is computed.

(6) When it is discovered that some products were completely omitted, overvalued, or undervalued in the computation cannot be corrected unless such mistakes are uncovered within the report year. But if such mistakes are uncovered within the report year, corrections can be made for the appropriate month or quarter of that year.

(7) The value of rejects produced in the course of production cannot be included in the gross value of production. For example, sawdust in lumber processing, rag scraps in cloth-making, or iron scrap in machine building, cannot be included in the gross value of production. If these rejects are packed for sale, only the value of the operation of packing can be included in the gross value of production.

But when rejects are utilized for the production of caps or toys, the entire value of the caps or toys incorporating such rejects is computed in the gross value of production.

Fifthly, in reporting the quantity of output, the following points should be kept in mind:

(1) All products, whether produced under State assignments or produced without such assignments, should be reported according to the individual kinds of products.

The quantity of output should be reported by specific names of products, according to the raw materials and supplies used, the characteristics and uses of products, etc. A report should specifically state the names of products. For example, the names radish "kimch'i" or pickled garlic should be used rather than the general title "processed vegetables."

When certain goods originally envisaged in production plans are not actually produced, the report should state the names of the products and the planned output in the appropriate columns.

Furthermore, if goods were produced only in January and their production ceased thereafter, the January output should be re-recorded every month in the column "Actual Output since the Beginning of the Year."

(2) Goods produced with raw materials and supplies furnished by other organs, enterprises, or private persons are computed and reported exactly the same way as those produced with the enterprise's own materials and supplies.

But such processes as repair and dyeing work are not recorded in the report on the quantity of output. However, for kinds of repair work specifically stipulated in the plan or guide to statistical reporting, e. g., electric-motor repairs or automobile repairs, the report should specifically state "electric motor repairs" or "automobile repairs."

(3) It goes without saying that all finished products should be fully reported. In addition, even semifinished products should be accounted for in the report on the quantity of output if they are envisaged in production plans or if the guide to statistical reporting so stipulates.

For example, a food-processing plant producing rice gluten and using it for the production of confectionaries

should report both the confectionaries and the rice gluten consumed for their production as finished products.

We should point out that the rice gluten consumed for the production of confectionaries within an enterprise is not to be included in the computation of the gross value of industrial production.

(4) A product should always be reported under a specific name and in a single unit of measurement, since the total quantity of output cannot be correctly computed if the same product is reported under different names and in different measurement units.

Furthermore, even when the same product is called by the same name, nation-wide computation cannot be accurately performed if different measurement units are used, e. g., one paper mill recording its paper product in tons and another in sheets. For this reason, the names and measurement units of products should be used correctly as stipulated in the guide to statistical reporting.

In some cases the guide requires that two different measurement units be used in reporting the same products. For example, it is required that fabrics be reported both in kilometers and square kilometers and that glassware and ceramic ware be reported both in 1,000 won's and in 1,000's.

At the same time, the figures recorded should correspond to the measurement units used. For example, when the measurement unit is a ton, an output of one ton and 500 kilograms should be recorded not as 1,500 but as 1.5. If recorded as 1,500, the report would lead higher authorities to conclude that the output reported was 1,500 tons.

(5) As in the case of the computation of the gross value of industrial production, the report on the material quantity of output should include only those products which conform to State technical specifications, and pass inspection; at the same time, these products should either have been stocked in warehouses or the required administrative processes should have been completed for storing them in warehouses. (Kyongje Chisik, No. 4, April 1960, pages 42-46.)

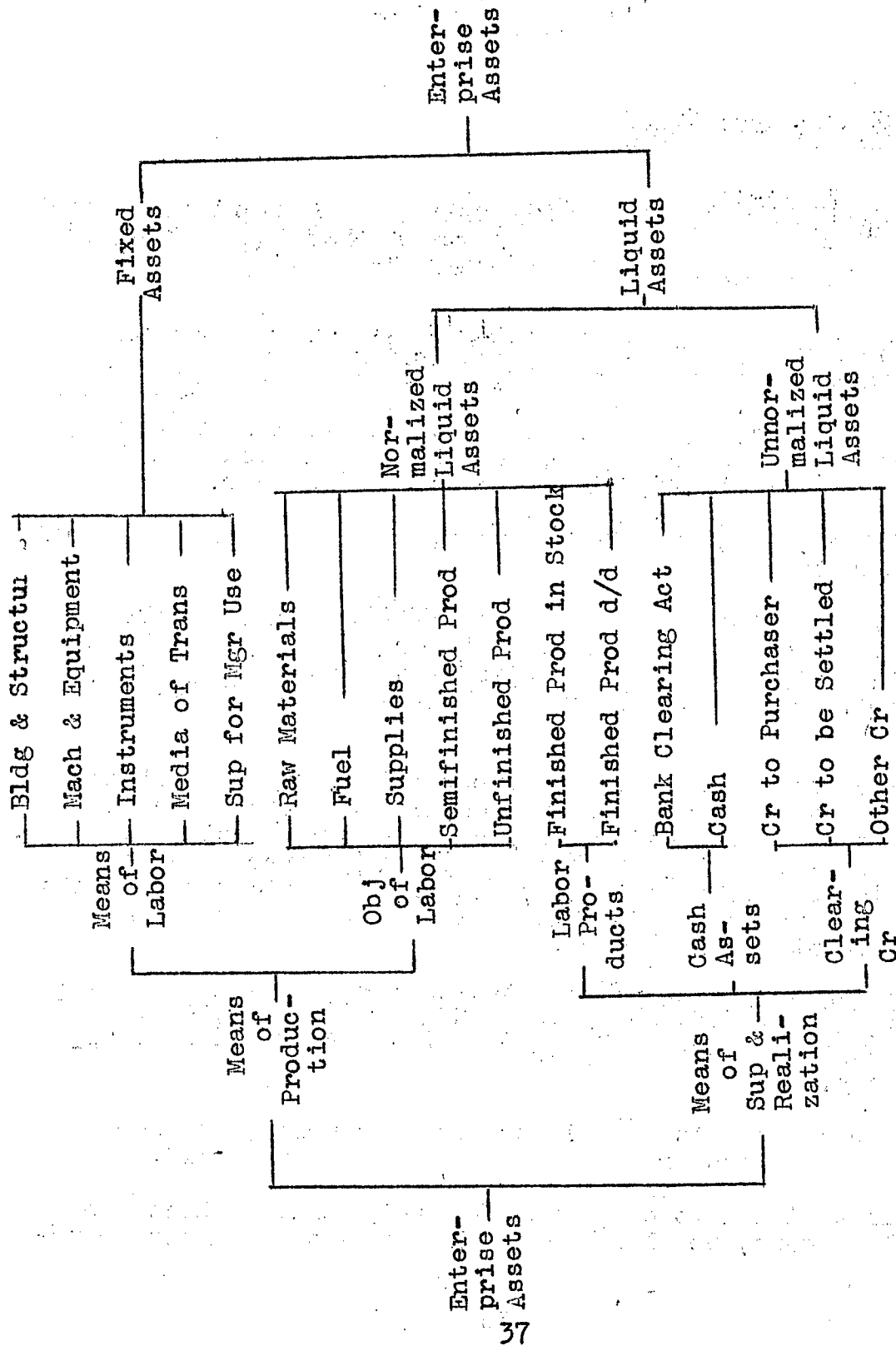
### Classification of Enterprise Assets

[The following is a translation of a short note, together with a diagram, entitled, "How Are the Assets of an Enterprise Classified?", Kyongsje Chisik, No. 2, February 1960, page 39.]

The assets of an enterprise are classified under two aspects.

In the following diagram, the left side represents the classification of assets from the standpoint of the position and role that the assets occupy and play in the course of production; and the right side represents the classification of the assets with a view to ensuring a convenient computation of enterprise assets in accordance with price, term of use, source, etc.





Classification of Enterprise Assets

(Kyongje Chisik, No. 2, Feb 60, p 39.)

### III. FOREIGN TRADE

#### Foreign Exchange Source

[The following are excerpts from an editorial entitled "Let Us Acquire More and Save More of Foreign Exchange," Kyongje Chisik, No 3, March 1960, pages 2-4.]

The development of the people's economy has led to constant increases in the demand for imported fuels and raw materials. For example, we must import the coke used in iron works, the oil used for the operation of motors, and the raw rubber required for the production of rubber shoes, tennis shoes, and other rubber products.

Cotton, too, must be imported, although it is grown in our country.

The importation of all these materials and supplies requires foreign exchange. But foreign exchanges is not used merely for imports; it is also needed for travel abroad, or for sending our delegates abroad for certain conferences.

For this reason, the December [1959] Expanded Plenary Session of the Party Central Committee called upon the people to strive to acquire and save more foreign exchange. The acquisition and economization of greater amounts of foreign exchange constitute one of the basic requirements for the successful implementation of the tasks of the adjustment period [1960].

To acquire more foreign exchange, we must exploit all available sources of export. Our exports have been increasing year after year, but they are not yet satisfactory.

Our country is rich in natural resources, and some of these resources are renowned throughout the world.

In addition to our tungsten and graphite, which are world famous, we also have rich reserves of various rare-

metal deposits. The metal, machine, and chemical industries are in a position to earn more foreign exchange. It is particularly noteworthy that our high-speed steel and high-speed steel products, as well as our machine tools and conductors, have of late been especially well received in the foreign market.

We should endeavor to produce more of these products and to sell them to other countries.

If we export the number of conductors that have been requested by the fraternal nations this year, the export of these items alone would bring in an amount of foreign exchange sufficient to import 30 million meters of cotton fabrics.

The chemical industry should increase the production and export of carbide, cement, silicate, arsenious acid, abrasives, reagents, etc. In addition, it should also expand the varieties of other exportable goods.

Our seas are rich in marine resources. Moreover, if we cultivate shallow sea-breeding wells, we can acquire a large amount of foreign exchange through the breeding and export of sea slugs, clams, laminarian sea weeds, ordinary sea weeds, etc.

We can also export our traditional handicraft products. In particular, the export of 100 pieces of ceramic wares would enable us to purchase one radio.

Local industrial plants should produce more of these products.

We can also export fruits, tobacco, pelts, medicinal herbs, wild fruits, etc. There are also numerous exportable agricultural and livestock by-products. For example, if we save and collect the duck feathers, chicken feathers, fruits seeds, and clam shells, which are now thoughtlessly discarded, we can earn foreign exchange by exporting those items.

If every farm family in our country would contribute one kilogram of pumpkin seeds, these seeds would earn enough foreign exchange to import 770,000 meters of cotton canvas (myonp'o). Indeed, last year, the Konjung

Agricultural Cooperative in Manp'ogun cultivated medicinal herbs for export purposes and produced more than 10 tons of these herbs. This not only expanded the export sources of the nation but also yielded a huge amount of secondary income for the cooperative.

The young pioneers of the Tong'un Middle school in Chongju-kun, P'yongan-pukto, collected two tons of apricot and peach seeds. The export of these two tons alone enabled us to import 20 tons of gasoline last year.

In addition to expanding the sources of export, we should also improve the quality of export goods. Improvement of the quality of export goods will not only bring in more foreign exchange but will also enhance the prestige of our nation.

For example, if we improve the grade (p'umwi) of magnetite currently exported to 58 percent and lower the silicon alumina to 12 percent, the additional amount of foreign exchange earned would be sufficient to import 345 tractors.

The price ranges of tobacco also vary very widely according to its quality. At current prices, the price of one ton of Grade One yellow tobacco is equivalent to 12 tons of Grade Six tobacco.

Another important requirement for earning more foreign exchange is to win the confidence of the countries to which we export our goods.

It is obvious that we cannot force our goods on other countries; if our export business is to be a good one, we must attract other countries so that they will voluntarily buy our products. To that end, we must first win their confidence.

To win the confidence of other nations, the organs and enterprises producing export goods should produce goods according to specifications and in the required quantities and deliver them on schedule as promised.

Last year, the Musan Mine, the Chuul Electrical Plant, and many other organs and enterprises implemented their export plans on schedule, and they were cited for this achievement by the State.

On the other hand, the Ch'olsan Mine, as well as several other export-goods-producing enterprises are not yet implementing their plans on schedule. They should become aware of the great loss that is incurred to the State by their failure to observe export contracts.

All export-goods-producing enterprises should strictly observe the regulations on the delivery of their products which were issued by the Cabinet; and export plans should be fulfilled unconditionally.

To explore and to acquire wider sources of export, the role played by the State procurement agents should be enhanced; these agents should maintain close contact with the masses and encourage the latter to participate in procurement work in a disciplined manner.

Now, even if we earn a large amount of foreign exchange, it would be useless we economize in our expenditures. Organs and enterprises should, therefore, import only absolutely indispensable foreign products. Even when such products have to be imported, effort should constantly be made to explore ways by which domestic products or materials could be substituted for imported products.  
(Kyongje Chisik, No 3, March 1960, pages 2-4)

#### IV. ECONOMIC TERMS

[The following is a translation of economic terms as understood in North Korea. Respective sources are indicated in parentheses following the explanation of each term.]

##### Quantity of Production (Saengsannyang), Value of Production (Saengsanaek), and Output (Saengsan'go)

The computation of products in material terms, e.g., tons, meters and kilograms, is called quantity of production (e.g., 1.5 million tons of steel, two million meters of fabrics, etc.).

The quantity of production makes it possible to determine how many products have been produced during a given period or, differently stated, the scope of goods produced.

The computation of products in monetary terms rather than in material terms is called the value of production (e.g., several hundred million won of fabrics).

Output generally refers to both quantity of production and the value of production; accordingly, when we say "output," on some occasions we mean the quantity of production, and at other times value of production.

In other words, the value of production is the monetary expression of the output, while the quantity of production refers to the output as expressed in material in kind. (Kyongje Chisik, No 4, April 1960, page 14)

##### Wage Grade Schedule (Imgum Tunggupp'yo)

Simply stated, the wage grade schedule refers to a chart stipulating the proportion by which highly skilled workers are to be paid more than low-skilled workers.

Accordingly, the wage-grade schedule has two components: a number of grades for each category of work and a number of wage coefficients (imgum kyesu) corresponding to these grades.

The wage grade is a yardstick measuring the skill level of workers. The wage coefficient indicates the excess in wages that should be paid to workers in Grade Two and above as compared with those in Grade One, the lowest grade.

For example, a grade schedule for a category of work in the coal-mining industry stipulates seven grades from Grade One through Grade Seven, and the width of the wage coefficient (differential between Grade One and Grade Seven) is 1.00:2.10. According to this schedule, if Grade One workers receive a monthly wage of 100 won, Grade Seven workers receive 210 won. Thus, the higher the grade, the higher is the wage coefficient. This policy encourages the workers to constantly enhance their skill levels.

The wage grade and the wage coefficient cannot be the same for all economic sectors. They vary from one sector to another according to differences in the nature of production, characteristics of skills required, importance of a given sector for the people's economy as a whole, and working conditions (nodong chokkon).

For example, industrial workers producing daily necessities made of metal are classified into seven grades from Grade One through Grade Seven, and the width of their wage coefficient is 1:1.77. But those engaged in the production of handicraft articles and cultural supplies [e.g. furniture] are classified into eight grades from Grade One through Grade Eight, and the width of their wage coefficient is 1:2.14.

The wage-grade schedule together with the wage norm (imgum kijunaek) constitute the wage schedule (imgump'yo). The wage schedule is determined, revised, or abolished by the State.

The wages of the workers should, therefore, be determined in full conformity with this wage schedule.  
(Kyeongje Chisik, No 4, April 1960, page 10)

Production Plan Implementation in Terms of Level  
(Saengsan Kyehoekui Sujunjok Suhaeng) and Production Plan  
Fulfillment in Terms of Gross Value (Ch'ongaekchok Wansu)

When the plan for the people's economy is drafted, provision is made in that plan for stipulating how much should be produced per 24-hour day during a given planned period to ensure the successful fulfillment of the overall plan; this provision is called the production level plan (saengsan sujun kyehoek).

The production level refers to actual output, either in terms of value of production or in terms of quantity of production, effected per 24-hour day during the given planned period.

In general, the average actual daily output for a quarter or a month is regarded as the average actual daily production level.

This [average for a quarter or a month] is utilized because it eliminates the effect of such accidental factors as temporary, sudden, and accidental increases in the or the implementation of shock-work measures.

Let us suppose that the gross value of production for the year is 36,500,000 won. In this case, the production level is the average daily output, i.e., 36,500,000 won/365 days = 100,000 won.

If we divide the gross value of production for a given month by the number of days of that month (30 or 31), we find that this figure will approximate the average daily output (100,000 won in the present case) and that at times it may exceed the planned average daily output.

For example, if the actual gross value of production for the month of July is 3,131,000 won, the average daily output will be 101,000 won; thus, the plan has been fulfilled by 101 percent in July.

The method employed for the computation of the production level in monetary terms is the same method utilized in computing the production level in terms of the output of products of each kind.



A comparison of the actual production level with the planned production level makes it possible to determine in advance whether or not the planned tasks can be successfully implemented in the future.

The production plan fulfillment in terms of gross value refers to the attainment or surpassing of the gross value of production envisaged in the plan. If in the above example, the gross value of production had risen to 36,550,000 won between January and November, the annual plan (36,500,000 won) would have been overfulfilled (by 50,000 won) in terms of gross value one month ahead of schedule. (Kyongje Chisik, No 4, April 1960, page 23)

#### Rate of Revolution of Working Capital (Yudong Chagum Hoejonnyul)

The working capital of enterprises revolves constantly.

First, the enterprises purchase raw materials, supplies, and fuel with their money; secondly, they process these purchased materials into products; and, thirdly, they sell these processed products to other enterprises or to commercial organs.

Thus, the working capital begins with currency, and is incorporated into processed products; then, it again returns to the status of currency after the processed products have been sold. This whole process is called the revolution of working capital.

Now, this process of revolution takes a certain time (a number of days). The fewer the number of days taken per revolution, the greater are the frequencies of revolution (velocity of revolution) of working capital.

The rate of revolution of working capital refers to the index which indicates the frequencies of revolution within a given period (a quarter or a year); and it is expressed in terms of the speed of revolution and the number of days taken per revolution.

For example, let us assume that a certain enterprise produced and sold 200-million-won-worth of goods a year with an original working capital of 50 million won. (In general, in computing the rate of the revolution of working capital, a month is assumed to consist of 30 days and a year of 360 days).

In this case, the speed of revolution and the number of days taken per revolution of working capital are computed as follows:

The speed of revolution = gross production value of commodities sold divided by the working capital = 200 million won/50 million won = 4 times.

The number of days taken per revolution = number of days of a given period divided by the speed of revolution =  $360/4 = 90$  days.

For this enterprise, the working capital thus revolved four times a year and one revolution took 90 days.

Therefore, to increase the rate of the revolution of working capital, it is necessary to accelerate the speed of revolution (e.g., from four revolutions to five revolutions) and to reduce the number of days per revolution (e.g., from 90 days to 72 days), as compared with the preceding year or the preceding quarter.

The higher the rate of revolution, the greater is the output that can be effected more rapidly with the same amount of working capital. In short, a higher rate of revolution will bring in a greater return to the enterprises concerned as well as greater benefits to the State.

If all enterprises accelerated the revolution of working capital by 0.1 revolutions above the figure planned for this year, the total amount of funds gained would equal the amount required for the production of more than 6500 tractors.

For this reason, the enterprises should take a keener interest in accelerating the revolution of their working capital. (Kyongje Chisik, No 3, March 1960, page 39)

### Workday (Noryogil)

The members of agricultural cooperatives are credited in terms of workdays according to the nature of the work they perform, i. e, depending on whether they work a great deal or a little, or, whether they perform heavy work or light work. When the year is over and the account is settled, their share is distributed according to the number of workdays they invested during the year.

What, then, is the workday?

It is the yardstick for evaluating the quality and quantity of work performed by agricultural cooperative members. At the same time, the workday constitutes the criterion by which the size of the share due to individual members is determined at the end of a given year.

For this reason, the correct evaluation of workdays in agricultural cooperatives is based on the correct evaluation of the work performed by individual members. At the same time, it allows for the correct distribution of the earnings of the cooperatives. Accordingly, it makes possible the realization of the socialist principle of distribution, and, by providing proper incentives, it arouses interest in production among the cooperative members. Thus, the further development of agricultural cooperatives is accelerated.

These workdays are credited to individual cooperative members according to the grades assigned to individual work performed. The correct evaluation of workdays, therefore, requires strict observance of the grades assigned to the work performed. The grades (tunggup) of work are those grades which are assigned to the individual work of agricultural cooperatives according to the amount of labor and the skill required for accomplishing each work task per day.

At present, the grades of work in our agricultural cooperatives are divided into five grades.

The easiest work is classified as Grade One, and when this work is performed in the course of a day, cooperative members performing such work are given 0.5 workdays. Grade Two work is more difficult than Grade One work,

and when a day's Grade Two work is performed, cooperative members are given 0.75 workdays. One workday is given for a day's work of Grade Three work, and 1.25 workdays for a day's work of Grade Four work. Grade Five work is the most difficult and requires skill, and 1.5 workdays are given for a day's work of Grade Five work.

If a day's work exceeds the daily work norm, additional workdays are given in accordance with the respective grades assigned to each category of work. (Kyong-je Chisik, No. 2, February 1960, page 22)

### Circulation Cost (Yut'ongbi)

All commodities produced by plants must go through a stage of circulation in order to get into the hands of the consuming workers.

These commodities should be transported to destination, various kinds of social labor are expended for the procurement of commodities by wholesale enterprises, for the sale of commodities by retail enterprises, and for management and bookkeeping purposes at commercial organs and commercial enterprises.

All of these expenditures disbursed by the commercial organs and commercial enterprises for the circulation of commodities are called the circulation cost.

However, not all expenditures by commercial organs and commercial enterprises are included in the circulation cost. The circulation cost includes only those expenditures which are disbursed in connection with the sale of commodities to consumers.

The circulation cost cannot, therefore, include disbursements for fines, payments for violations of contracts, charges for deferred payment, losses due to natural disasters, etc. These amounts are posted in the balance sheet as a loss to the enterprises concerned.

In socialist commerce, the circulation cost is composed of the following: (a) wages paid to commercial workers; (b) cost of transportation, cost of communications, and various expenditures in various sectors of the

people's economy; (c) material consumption in the course of commodity circulation (such as electricity, fuel, packing materials, depreciation of fixed assets, etc.); (d) cost of natural depletion of commodities in the course of the transport, storing, and sale of commodities; and (e) items of redistribution (interest on payment, social insurance, etc.). (Kyongje Chisik, No. 3, March 1960, pages 22-23)

#### Basic Workers and Auxiliary Workers (Kibon Nodongja, Pojo Nodongja)

Basic workers refer to those workers in plants or shops who participate directly in basic production work; and auxiliary workers are those whose work assists the workers engaged in basic production work.

For example, the weavers in a textile mill constitute the basic workers, while the repairmen who repair weaving machines constitute the auxiliary workers.

Whatever is produced requires direct production work, on the one hand, and auxiliary work, such as providing tools, transporting raw materials, or repairing equipment, on the other.

Large enterprises often have both basic shops specializing in basic work, and auxiliary shops specializing in auxiliary work. For example, in a steel plant, the steel shop is a basic shop, while the tool-repair shop and transportation shop are auxiliary shops.

But there are basic workers and auxiliary workers in both basic shops and auxiliary shops, since both kinds of shops require basic work as well as auxiliary works, including the transporting of supplies and raw materials, and the provision of production tools.

Consequently, care should be taken not to confuse the basic workers and auxiliary workers with workers in the basic production sectors and workers in auxiliary production sectors.

When we speak of workers in the basic production sectors, we refer to all the workers working in the basic shops; and workers in the auxiliary production sectors refer to all workers working in the auxiliary shops.

For example, the repairmen of the repair shop of a steel plant are basic workers from the point of view of the shop. But viewed from the standpoint of the entire steel plant, they are workers engaged in the auxiliary production sector, since the repair shop is an auxiliary shop.

From the point of view of the people's economy, there are many varieties of auxiliary work in plants and enterprises.

Therefore, by mechanizing these kinds of auxiliary work, we can drastically reduce the number of workers engaged in auxiliary work (both workers engaged in auxiliary production sectors and auxiliary workers) and shift them to basic work. This constitutes an important means of solving the current, difficult labor problem in our country. (Kyongje Chisik, No. 1, January 1960, pages 30-31)

END

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